

PAROWAN CITY, UTAH
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2005

PAROWAN CITY, UTAH

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FINANCIAL SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation

INDEPENDENT AUDITOR'S REPORT

The Honorable City Council

Parowan City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Parowan City, Utah as of and for the year ended June 30, 2005 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

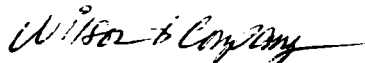
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Parowan City, Utah as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2005, on our consideration of Parowan City, Utah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents and budgetary comparison information on page 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Parowan City, Utah's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Parowan City, Utah. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



WILSON & COMPANY
Certified Public Accountants

November 30, 2005
Cedar City, Utah

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion of the Parowan City, Utah's financial performance provides an overview of the City's financial activities for the year ending June 30, 2005. This report is in conjunction with the City's financial statements.

Financial Highlights

The assets of the City exceeded its liabilities as of the close of the most recent year by \$7,619,763. Of this amount, \$1,014,426 may be used to meet the governments ongoing obligations to citizens and creditors.

The government's total net assets increased by \$303,074. The expenditures exceeded the revenue amounts, and expenditures were less than the adopted budgeted amounts.

At the close of the current year, the City government funds reported combined ending fund balances of \$400,883, an increase of \$260,604 in comparison with the prior year. Of this total amount, \$79,663 is available for spending at the government's discretion.

The City's total debt decreased by \$137,930 during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways & streets, sanitation, and culture and recreation. The business-type activities of the City are water, sewer, electric, and pressurized irrigation services.

Fund financial statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and enterprise funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes of fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eight governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The City adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the adopted budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary funds

The City maintains four proprietary funds. *Proprietary funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer, electric and pressurized irrigation service operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, electric and pressurized irrigation services which are considered the major funds of the City.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$7,619,763 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (81 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the year, the City is able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Parowan City's Net Assets

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Current & other assets	\$ 1,061,299	\$ 995,128	\$ 1,521,850	\$ 1,451,739
Capital assets	3,378,858	3,477,102	3,667,859	3,713,753
Total assets	4,440,157	4,472,230	5,189,709	5,165,492
Long-term Liabilities outstanding	95,185	257,760	443,742	975,972
Other Liabilities	660,415	697,739	810,760	389,564
Total Liabilities	755,600	955,499	1,254,502	1,365,536
Net assets:				
Invested in cap. assets, net of debt	3,283,673	2,934,352	2,857,100	2,767,781
Restricted		147,205	464,564	508,162
Unrestricted	400,884	435,174	613,543	524,014
Total net assets	3,684,557	3,516,731	3,935,207	3,799,957

Changes in Parowan City's Net Assets

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Revenues:				
Program revenues				
Charges for services	398,933	353,396	2,274,572	2,185,558
Operating grants and contributions	291,899	234,926		
Capital grant and contributions	111,380	283,085	152,748	69,222
 General revenues				
Property taxes	196,528	184,541		
General sales and use taxes	256,893	240,415		
Franchise taxes	88,483	75,377		
Earnings on investments	13,915	8,618	23,469	11,540
Miscellaneous	3,357	9,289		
Transfers	262,000	195,862	(262,000)	(195,862)
Total revenues	<u>1,623,388</u>	<u>1,585,509</u>	<u>2,188,789</u>	<u>2,070,458</u>
Expenses:				
General government	328,161	349,487		
Public safety	380,588	356,904		
Highways & streets	324,786	290,074		
Sanitation	146,891	140,851		
Culture & recreation	275,137	227,766		
Water fund			322,813	317,501
Sewer fund			389,985	285,809
Electric fund			1,220,008	1,206,170
Pressurized irrigation fund			120,733	105,831
Total expenses	<u>1,455,563</u>	<u>1,365,082</u>	<u>2,053,539</u>	<u>1,915,311</u>
Increase in net assets	<u>167,825</u>	<u>220,427</u>	<u>135,250</u>	<u>155,147</u>

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current year, the unreserved fund balance of the general fund was \$79,663. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water service fund at the end of the year amounted to \$16,900, for the sewer fund \$430,298, for the electric fund \$330,336 and for the pressurized irrigation fund (\$172,191).

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of \$76,483 can be briefly summarized as follows:

There was a \$2,576 decrease in General Government, Public Safety increased by \$4,301, Highways & Streets decreased by \$3,600. Culture & Recreation decreased by \$69,718 and Operating Transfers out decreased \$4,890.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for activities as of June 30, 2005, amounts to \$7,046,717 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings and equipment.

Additional information of the City's capital assets can be found in the notes to the financial statements.

Long-term debt

At the end of the current year, the City had total bonds outstanding of \$905,944. The debt represents bonds issued to finance water, sewer and pressurized irrigation projects in prior years and issued for municipal purposes.

Additional information on the City's long-term debt can be found in the notes of the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Parowan City, P.O. Box 576, Parowan, Utah, 84761.

BASIC FINANCIAL STATEMENTS

PAROWAN CITY, UTAH

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
Assets:			
Current assets:			
Cash & cash equivalents	\$ 899,929	\$ 1,299,668	\$ 2,199,596
Accounts receivable	10,492	222,183	232,674
Property tax receivable	150,879		150,879
Construction in progress	534,114		534,114
Capital assets, net of accumulated depreciation	2,844,744	3,667,859	6,512,603
Total assets	4,440,157	5,189,709	9,629,866
Liabilities and Net Assets			
Liabilities :			
Cash with negative balances	9,578	309,494	319,072
Accounts payable	415,089	19	415,108
Payroll taxes payable	-		-
Wages payable	41,536		41,536
Compensated absences payable	43,334	22,850	66,184
Sales tax payable		-	-
Accrued interest payable		16,183	16,183
Deposits payable		95,196	95,196
Capital lease obligations payable - current		-	-
Capital lease obligations payable - long term		-	-
Deferred revenue property tax receivable	150,879		150,879
Bonds payable			
Portion due within one year	5,628	83,190	88,818
Portion due after one year	89,557	727,569	817,126
Total liabilities	755,600	1,254,502	2,010,103
Net Assets:			
Invested in capital assets, net of related debt	3,283,673	2,857,100	6,140,773
Restricted for:			
Debt service		282,900	282,900
Other purposes		181,664	181,664
Unrestricted	400,884	613,543	1,014,426
Total net assets	\$ 3,684,557	\$ 3,935,207	\$ 7,619,763

The notes to the financial statements are an integral part of this statement.

PAROWAN CITY, UTAH
Statement of Activities
Year Ended June 30, 2005

Functions	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 328,161	\$ 72,473	\$ 55,039	\$ 111,380	\$ (89,269)
Public safety	380,588	145,758	37,614		(197,216)
Highways & streets	324,786		123,155		(201,631)
Sanitation	146,891	150,178			3,287
Culture & recreation	275,137	30,524	76,091		(168,522)
Total governmental activities	1,455,564	398,933	291,899	111,380	(653,352)
Business-type activities:					
Water fund	322,813	314,685		79,951	71,824
Sewer fund	389,985	348,486		14,327	(27,173)
Electric fund	1,220,008	1,476,441		55,470	311,903
Presurized irrigation	120,733	134,960		3,000	17,227
Total business-type activities	2,053,539	2,274,572	-	152,748	373,781
Total government	\$ 3,509,103	\$ 2,673,505	\$ 291,899	\$ 264,128	\$ (279,571)

(Continued on page 12)

PAROWAN CITY, UTAH
Statement of Activities
Year Ended June 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets			
Net (expense) revenue from previous page	\$ (653,352)	\$ 373,781	\$ (279,571)
General revenues:			
Taxes:			
Property taxes	196,528		196,528
General sales and use taxes	256,893		256,893
Franchise taxes	88,483		88,483
Earnings on investments	13,915	23,469	37,384
Miscellaneous	3,358		3,358
Operating transfers	262,000	(262,000)	-
Total general revenues and transfers	<u>821,177</u>	<u>(238,531)</u>	<u>582,646</u>
Increase in net assets	167,825	135,250	303,074
Net assets - beginning	3,516,732	3,799,957	7,316,689
Net assets - ending	<u>\$ 3,684,557</u>	<u>\$ 3,935,207</u>	<u>\$ 7,619,763</u>

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

PAROWAN CITY, UTAH
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash & cash equivalents	\$ 569,131	\$ 330,798	\$ 899,929
Accounts receivables	10,492		10,492
Total assets	<u>\$ 579,623</u>	<u>\$ 330,798</u>	<u>\$ 910,421</u>
Liabilities:			
Cash with Negative Balances	\$ -	\$ 9,578	\$ 9,578
Accounts payable	415,089	-	415,089
Compensated Absences	43,334		43,334
Payroll taxes payable	-		-
Wages payable	41,536		41,536
Total liabilities	<u>499,959</u>	<u>9,578</u>	<u>509,538</u>
Fund balances:			
Reserved		321,220	321,220
Unreserved, undesignated	79,663		79,663
Total fund balances	<u>79,663</u>	<u>321,220</u>	<u>400,883</u>
Total liabilities and fund balances	<u>\$ 579,623</u>	<u>\$ 330,798</u>	<u>\$ 910,421</u>

The notes to the financial statements are an integral part of this statement.

PAROWAN CITY, UTAH
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 400,883
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$5,957,170 and the accumulated depreciation is \$2,578,312	3,378,858
Long-term obligations	(95,184)
Total net assets - governmental activities	<u><u>\$ 3,684,557</u></u>

The notes to the financial statements are an integral part of this statement.

PAROWAN CITY, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Property taxes	\$ 196,528	\$ -	\$ 196,528
Sales and use taxes	256,893		256,893
Franchise taxes	88,483		88,483
Licenses and permits	21,586		21,586
Intergovernmental revenues	139,052	155,419	294,471
Charges for services	175,037		175,037
Fines and forfeitures	143,609		143,609
Interest earnings	7,146	6,770	13,915
Miscellaneous revenues	118,927	51,940	170,867
Total revenues	<u>1,147,260</u>	<u>214,128</u>	<u>1,361,388</u>
EXPENDITURES:			
General government	319,598	3	319,601
Public Safety	363,481		363,481
Highways & streets	180,439		180,439
Sanitation	146,891		146,891
Culture & recreation	260,359		260,359
Capital expenditures		92,013	92,013
Total expenditures	<u>1,270,768</u>	<u>92,016</u>	<u>1,362,784</u>
Excess of revenues over (under) expenditures	<u>(123,509)</u>	<u>122,112</u>	<u>(1,396)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	271,383	23,160	294,543
Operating transfers out	(23,160)	(9,383)	(32,543)
Total other financing sources (uses)	<u>248,224</u>	<u>13,776</u>	<u>262,000</u>
Excess of revenues and other sources over (under) expenditures and other uses	124,715	135,889	260,604
FUND BALANCES JULY 1	(45,052)	185,331	140,279
FUND BALANCES JUNE 30	<u>\$ 79,663</u>	<u>\$ 321,220</u>	<u>\$ 400,883</u>

The notes to the financial statements are an integral part of this statement.

PAROWAN CITY, UTAH
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$ 260,604
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	92,014	
Depreciation expense	<u>(190,257)</u>	
		(98,243)

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	<u>5,464</u>	
		5,464

Change in net assets of governmental activities	<u>\$ 167,825</u>
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The notes to the financial statements are an integral part of this statement.

PAROWAN CITY, UTAH
Statement of Net Assets
Major Proprietary Funds
June 30, 2005

	Water Utility Fund	Sewer Utility Fund	Electric Utility Fund	Pressurized Irrigation Fund	Total
Assets					
Current assets:					
Cash & cash equivalents	\$ 388,272	\$ 382,006	\$ 311,723	\$ 217,666	\$ 1,299,668
Accounts receivable (net of allowance)	32,034	31,792	140,263	18,094	222,183
Due from Other Funds		16,500	30,000		46,500
Total current assets	420,306	430,298	481,986	235,760	1,568,350
Long-term assets:					
Capital assets, net of accumulated depreciation	1,185,135	315,326	1,414,774	752,623	3,667,859
Total long-term assets	1,185,135	315,326	1,414,774	752,623	3,667,859
Total assets	1,605,441	745,624	1,896,760	988,383	5,236,209
Liabilities and Net Assets					
Liabilities:					
Current liabilities:					
Cash with Negative Balances	50,993			258,502	309,494
Accounts payable	19				19
Wages Payable					
Compensated Absences	8,213		14,637		22,850
Accrued Interest Payable	11,165			5,018	16,183
Sales Tax Payable					
Refundable Deposits			95,196		95,196
Due to Other Funds	46,500				46,500
Capital lease obligations payable - current					
Bonds payable - Portion due within one year	21,000			62,190	83,190
Total current liabilities	137,889		109,834	325,710	573,432
Long-term liabilities:					
Capital lease obligations payable - long-term					
Bonds payable - Portion due after one year	518,400			209,169	727,569
Total long-term liabilities	518,400			209,169	727,569
Total liabilities	656,289		109,834	534,879	1,301,001
Net assets:					
Invested in capital assets, net of related debt	645,735	315,326	1,422,974	481,264	2,865,299
Restricted for:					
Debt service	138,469			144,431	282,900
Other purposes	148,048		33,616		181,664
Unrestricted	16,900	430,298	330,336	(172,191)	605,344
Total net assets	\$ 949,152	\$ 745,624	\$ 1,786,926	\$ 453,504	\$ 3,935,207

The notes to the financial statements are an integral part of this statement.

PAROWAN CITY, UTAH
Statement of Revenues, Expenses and Changes in Net Assets
Major Proprietary Funds
Year Ended June 30, 2005

	Water Utility Fund	Sewer Utility Fund	Electric Utility Fund	Pressurized Irrigation Fund	Total
Operating revenues:					
Charges for Services	\$ 306,586	\$ 332,426	\$ 1,379,625	\$ 133,795	\$ 2,152,432
Penalties			19,969		19,969
Intergovernmental Revenue					-
Miscellaneous	8,099	16,060	76,847	1,164	102,171
Total operating revenues	314,685	348,486	1,476,441	134,960	2,274,573
Operating expenses:					
Salaries & Wages	65,725	127,235	269,487	10,603	473,050
Employee Benefits	21,202	68,262	126,251	4,103	219,818
Operating Supplies and Materials	6,365	7,164	15,885	4,306	33,720
Power Purchases			528,812		528,812
Professional and Technical services	18,625	131,037	24,452	5,333	179,446
Bad Debt Expense			5,962		5,962
Conferences & Travel	1,447	2,010	5,945	168	9,570
Insurance	27,042	11,828	24,289	12,375	75,535
Miscellaneous	7,501	3,081	8,768	2,306	21,656
Utilities	32,872	5,428	7,600	16,014	61,915
Repairs and maintenance	32,975	12,827	80,317	16,112	142,231
Depreciation	86,314	20,484	121,584	33,043	261,425
Total operating expenses	300,069	389,356	1,219,351	104,364	2,013,140
Operating income (loss)	14,617	(40,870)	257,090	30,596	261,433
Nonoperating income (expense):					
Interest Revenue	7,545	5,291	5,268	5,366	23,469
Impact Fees	68,601	2,227	31,120		101,948
Connection, Development Fees	11,350	12,100	24,350	3,000	50,800
Grant Revenue					
Interest Expenses	(22,744)	(629)	(657)	(16,369)	(40,400)
Total nonoperating income	64,752	18,988	60,081	(8,004)	135,817
Income (loss) before transfers	79,369	(21,882)	317,171	22,592	397,250
Transfer out	(45,000)	-	(217,000)		(262,000)
Transfer in					
Change in net assets	34,369	(21,882)	100,171	22,592	135,250
Net assets - beginning	914,784	767,506	1,686,755	430,912	3,799,957
Net assets - ending	\$ 949,152	\$ 745,624	\$ 1,786,926	\$ 453,504	\$ 3,935,207

The notes to the financial statements are an integral part of this statement.

PAROWAN CITY, UTAH
Statement of Cash Flows
Major Proprietary Funds
Year Ended June 30, 2005

	Water Utility Fund	Sewer Utility Fund	Electric Utility Fund	Pressurized Irrigation Fund	Total
Cash flows from operating activities:					
Cash received from customers	\$ 311,122	\$ 351,114	\$ 1,496,300	\$ 133,666	\$ 2,292,204
Cash payments to suppliers for goods and services	(126,767)	(173,375)	(702,030)	(56,461)	(1,058,633)
Cash payments to employees for services	(85,248)	(195,497)	(393,382)	(14,706)	(688,833)
Net cash provided (used) by operating activities	99,107	(17,758)	400,888	62,499	544,738
Cash flows from noncapital financing activities:					
Operating transfers from (to) other funds	(45,000)	-	(217,000)	-	(262,000)
Payments due from (to) other funds	-	-	-	-	-
Net cash (used) by noncapital financing activities	(45,000)	-	(217,000)	-	(262,000)
Cash flows from capital and related financing activities:					
Cash received from impact and connection fees	79,951	14,327	55,470	3,000	152,748
Acquisition of capital assets	(5,833)	(12,401)	(191,463)	(5,987)	(215,684)
Interest paid on capital debt	(23,219)	(1,605)	(657)	(17,357)	(42,838)
Principal paid on capital debt	(20,000)	(36,678)	(32,747)	(75,788)	(165,213)
Net cash (used) by capital and related activities	30,899	(36,357)	(169,397)	(96,132)	(270,987)
Cash flows from investing activities					
Interest received	7,545	5,291	5,268	5,366	23,470
Net cash (used) by investing activities	7,545	5,291	5,268	5,366	23,470
Net increase in cash and cash equivalents	92,551	(48,824)	19,759	(28,267)	35,221
Cash and Cash Equivalents - Beginning	244,728	430,830	291,964	(12,569)	954,953
Cash and Cash Equivalents - Ending	\$ 337,279	\$ 382,006	\$ 311,723	\$ (40,836)	\$ 990,174
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 14,617	\$ (40,870)	\$ 257,090	\$ 30,596	\$ 261,433
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	86,314	20,484	121,584	33,043	261,425
Increase decrease accounts receivable	(3,503)	2,628	471	(1,140)	(1,543)
Increase decrease in accounts payable	-	-	-	-	-
Increase decrease in compensated absences	1,679	-	2,355	-	4,034
Increase in sales tax payable	-	-	-	-	-
Increase deposits payable	-	-	19,388	-	19,388
Total adjustments	84,490	23,112	143,798	31,903	283,305
Net cash provided (used) by operating activities	\$ 99,107	\$ (17,758)	\$ 400,888	\$ 62,499	\$ 544,738

The notes to the financial statements are an integral part of this statement.

PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of Parowan City, Utah have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The accompanying basic financial statements present the financial position of various fund types and account groups and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

A. Reporting Entity

For financial reporting purposes, Parowan City, Utah has included all funds and account groups. The City has also considered all potential component units for which it is financially accountable and that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

Based on the above criteria, the City has no component units and is not a component unit of any other government.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C: Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Parowan City, Utah considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's water distribution system.

The Sewer Fund accounts for the activities of the City's sewer collection system.

The Electric Fund accounts for the activities of the City's electric distribution system.

The Irrigation Fund accounts for the activities of the City's irrigation system.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating

PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D: Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Improvements Other Than Buildings	20 Years
Equipment	5-10 Years

Compensated Absences:

The City has followed the practice of recording the estimated liability arising from earned, but unpaid, vacation and compensatory time. The estimated liability for each fund has been reflected on the financial statements.

City policy allows for sick leave at the rate of one day per month for a total of 12 days per year. If not used, sick leave may be accumulated. Effective for full time employees employed as of July 1, 1997, upon termination of employment, either voluntarily or involuntarily, the employee receives payment for one-half of the sick leave accumulated.

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Reconciliation of Government-Wide and Fund Financial Statements:

- A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 5,957,170
Accumulated depreciation	<u>(2,578,312)</u>
Total difference	<u><u>\$ 3,378,858</u></u>

Long-term liabilities:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Principal portion of bonds	\$ 95,184
Total Difference	<u><u>\$ 95,184</u></u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net differences, the elements of this difference are as follows:

Capital outlay	\$ 92,014
Depreciation expense	<u>(190,257)</u>
Net difference as reported	<u><u>\$ (98,243)</u></u>

PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of bonds and related items is as follows:

Repayment of bond principal	<u>\$ 5,464</u>
Net Difference	<u>\$ 5,464</u>

F: Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G: Property Tax:

Iron County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The City should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30 of each year. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 15 of the following year, delinquent taxes and penalty bear interest of 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

H: Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the City in its governmental funds, therefore, all annual appropriations lapse at fiscal year end.

PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City can make adjustments to the adopted budget through public hearings. During the fiscal year, the City made budget adjustments through public hearings the effects of which were material and are reflected in management's discussion and analysis.

I: Statement of Cash Flows:

For the purpose of the Statement of Cash Flows, the Water, Sewer, Electric, and Irrigation Utility Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2: CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes the cash account and several investments.

The City's deposit and investment policy is to follow the Utah Money Management Act. However, the City does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the City is exposed.

Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the City and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2005, the City had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair Value</u>
Cash on deposit	\$ 103,319
State Treasurer's investment pool	<u>1,777,205</u>
	\$ <u>1,880,524</u>

PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 2: CASH AND INVESTMENTS - CONTINUED

Interest rate risk. The City manages its exposure to declines in fair value by only investing in the Utah Public Treasurers Investment Fund.

Credit risk. As of June 30, 2005 the Utah Public Treasurer's Investment Fund was unrated.

Concentration of credit Risk. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005 \$3,162 of the deposits was exposed to custodial credit risk because it was uninsured or uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2005, are as follows:

Cash on hand and on deposit:

Cash on deposit	\$ 103,319
Utah State Treasurer's investment pool account	<u>1,777,205</u>

Total cash and investments	\$ <u>1,880,524</u>
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Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	\$ 2,199,596
Negative Cash Balances	<u>(319,072)</u>

Total cash and investments	\$ <u>1,880,524</u>
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PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 3. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land & easements	\$ 560,502	\$	\$	\$ 560,502
Construction in progress	442,101	92,013		534,114
Total capital assets, not being depreciated	<u>1,002,603</u>	<u>92,013</u>		<u>1,094,616</u>
Capital assets, being depreciated:				
Buildings & structures	1,049,000			1,049,000
Infrastructure assets	3,375,053			3,375,053
Machinery & Equipment	316,050			316,050
Automobiles & trucks	122,450			122,450
Total capital assets, being depreciated	<u>4,862,553</u>			<u>4,862,553</u>
Accumulated depreciation for:				
Building & Improvements	556,250	18,150		574,400
Infrastructure assets	1,517,125	136,263		1,653,388
Machinery & Equipment	230,480	25,700		256,180
Automobiles & trucks	84,200	10,143		94,343
Total accumulated depreciation	<u>2,388,055</u>	<u>190,256</u>		<u>2,578,311</u>
Total capital assets, being depreciated,	<u>2,474,498</u>	<u>(190,256)</u>		<u>2,284,242</u>
Governmental activities capital assets, net	<u>\$ 3,477,101</u>	<u>\$ (98,243)</u>	<u>\$</u>	<u>\$ 3,378,858</u>

Business type activities:

Capital assets, not being depreciated

Land	\$ 272,225	\$	\$	\$ 272,225
Total capital assets, not being depreciated	<u>272,225</u>			<u>272,225</u>

PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 3. CAPITAL ASSETS - CONTINUED

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
Capital assets, being depreciated:				
Buildings & Structures	95,051			95,051
Improvements other than buildings	6,291,652	109,464		6,401,116
Machinery & Equipment	317,362	106,067		423,429
Automobiles & Trucks	232,865			232,865
Total capital assets, being depreciated	<u>6,936,930</u>	<u>215,531</u>		<u>7,152,461</u>
Accumulated depreciation for:				
Buildings	26,490	3,833		30,323
Improvements other than buildings	3,165,022	115,746		3,280,768
Machinery & Equipment	202,306	118,559		320,865
Automobiles & Trucks	101,584	23,287		124,871
Total accumulated depreciation	<u>3,495,402</u>	<u>261,425</u>		<u>3,756,827</u>
Total capital assets, being depreciated,	<u>3,441,528</u>	<u>(45,894)</u>		<u>3,395,634</u>
Business type activities capital assets, net	<u>\$ 3,713,753</u>	<u>\$ (45,894)</u>	<u>\$</u>	<u>\$ 3,667,859</u>

Depreciation was charged to governmental activities functions as follows:

General government	\$ 8,561
Public Safety	22,571
Highways & Streets	144,347
Culture & recreation	14,778
Total	<u>\$ 190,257</u>

PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 4. LONG-TERM DEBT

The following is a summary of Long-term debt transactions of the City for the year ended June 30, 2005:

	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2004	Matured During Year	Outstanding June 30, 2005
Revenue Bonds						
Pressurized Irrigation Bonds	8/7/87	5%	\$ 975,000	\$ 347,147	\$ 75,788	\$ 271,359
Lease Revenue Bonds	1/28/99	3%	126,218	100,649	5,464	95,185
Water Revenue Bond-2001	8/31/01	4.14%	578,400	559,400	20,000	539,400
Total Revenue Bonds			<u>\$ 1,679,618</u>	<u>\$ 1,007,196</u>	<u>\$ 101,252</u>	<u>\$ 905,944</u>

Revenue Bonds Payable at June 30, 2005, are comprised of the following individual issues:

Pressurized Irrigation System Bonds payable
dated 8-7-87 and payable in installments of
\$64,496 through 2013 bearing interest at 5%. \$ 271,359

Lease Revenue Bonds, Series 1998
Payable in installments of \$8,005 to \$9,010
Annually through 2019 bearing interest of 3% 95,185

Water Revenue Bonds, Series 2001
Payable in annually installments of \$42,946 to
\$43,659 through 2022. The bonds bear interest
of 4.14%. 539,400

Revenue Bonds payable at June 30, 2005 \$ 905,944

Water, and Pressurized Irrigation System Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water, and pressurized irrigation funds.

The revenue bonds are collateralized by the revenue of the above funds and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the systems is to be used first to pay operating and maintenance expenses and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose.

PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 4. LONG-TERM DEBT - CONTINUED:

Long - Term Debt charges to maturity are as follows:

\$975,000 Pressurized Irrigation Bond
5% August 7, 1987

Year	Principal Amount	Interest Amount	Total Amount
2006	\$ 62,190	\$ 15,056	\$ 77,246
2007	65,299	11,946	77,245
2008	68,564	8,682	77,246
2009	71,993	5,253	77,246
2010	3,313	1,654	4,967
Total	<u>\$ 271,359</u>	<u>\$ 42,591</u>	<u>\$313,950</u>

\$126,218 Lease Revenue Bonds - Series 1998
3% January 28, 1999

Year	Principal Amount	Interest Amount	Total Amount
2006	\$ 5,628	\$ 2,856	\$ 8,484
2007	5,797	2,687	8,484
2008	5,971	2,513	8,484
2009	6,150	2,334	8,484
2010	6,335	2,149	8,484
2011	6,525	1,959	8,484
2012	6,720	1,763	8,483
2013	6,922	1,562	8,484
2014	7,130	1,354	8,484
2015	7,344	1,140	8,484
2016	7,564	920	8,484
2017	7,791	693	8,484
2018	8,025	459	8,484
2019	7,283	219	7,502
Total	<u>\$ 95,185</u>	<u>\$ 22,608</u>	<u>\$ 117,793</u>

PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT

June 30, 2005

NOTE 4. LONG-TERM DEBT - CONTINUED:

\$578,400 Water Revenue Bonds Series 2001
4.14% August 31, 2001

Year	Principal Amount	Interest Amount	Total Amount
2006	\$ 21,000	\$ 22,331	\$ 43,331
2007	22,000	21,462	43,462
2008	22,000	20,551	42,551
2009	23,000	19,640	42,640
2010	24,000	18,688	42,688
2011	25,000	17,694	42,694
2012	27,000	16,659	43,659
2013	28,000	15,542	43,542
2014	29,000	14,382	43,382
2015	30,000	13,182	43,182
2016	31,000	11,940	42,940
2017	32,000	10,656	42,656
2018	34,000	9,331	43,331
2019	35,000	7,924	42,924
2020	37,000	6,475	43,475
2021	38,000	4,943	42,943
2022	40,000	3,370	43,370
2023	41,400	1,713	43,113
Total	<u>\$ 539,400</u>	<u>\$ 236,483</u>	<u>\$ 775,883</u>

NOTE 5. DEFINED BENEFIT PENSION PLAN

Plan Description: Parowan City, Utah, Utah contributes to the Local Governmental Noncontributory Retirement System which is part of the cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State

PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 5. DEFINED BENEFIT PENSION PLAN - CONTINUED

Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety and Firefighters Retirement Systems for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 So. Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy: Plan members in the Local Governmental Contributory Retirement System are required to contribute 6% of their annual covered salary (all or part may be paid by the employer for the employee) and Parowan City is required to contribute 7.08% of their annual covered salary. In the Local Governmental Noncontributory Retirement System Parowan City is required to contribute 11.09% of their annual covered salary. In the Public Safety Retirement System for employers with (without) Social Security coverage Parowan City is required to contribute 19.08% of their annual covered salary for members in the noncontributory division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Parowan City contributions to the Local Governmental Contributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$5,066, \$4,643 and \$3,979 respectively and for the Noncontributory Retirement System the Contributions for June 30, 2005, 2004 and 2003 were \$57,101, \$44,688 and \$43,695 respectively and for the Public Safety Noncontributory Retirement System the Contributions for June 30, 2005, 2004 and 2003 were \$14,679, \$12,054 and \$11,409 respectively. The contributions were equal to the required contributions for each year.

NOTE 6: IRON COUNTY SUBLEASE-PURCHASE AGREEMENT

Parowan City has subleased the Iron County Fairgrounds project on an annually renewable basis pursuant to the terms of a sublease-purchase agreement with Iron County.

The agreement calls for the City to make payments limited to City funds and that payments made will constitute a current expense of the City. No provision of the agreement shall be construed or interpreted as creating a general obligation or other indebtedness of the City within the meaning of any constitutional or statutory debt limitation.

It is the intent of the City to make lease payments for the term of the bonds issued by Iron County. The term of the bonds is 20 years and if payments are made over the term of the bonds, the investment by the City would approximate \$421,878.

PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 7: POWER SALES AND PURCHASE CONTRACT:

Parowan City has entered into a Power Sales Contract (Contract) which expires in June 2027, to purchase approximately 0.364% of the output of the Intermountain Power Project (Project). The City has sold 0.364% of its entitlement to other Project participants. However, the City has the right to recall up to 100% of its entitlement upon meeting certain notice provisions. As long as any of the Intermountain Power Agency bonds are outstanding, the Contract cannot be terminated or amended in a manner which will impair or adversely affect the rights of any of the bondholders.

The City has also signed a power purchase agreement with the City of St. George, Utah dated the 28th day of September 1987. This agreement sells part of the entitlement share owned by the City in the UAMPS Hunter II contract.

Parowan City total entitlement share	3.4956%
Sale to St. George City	<u>1.7583%</u>
Balance retained by Parowan City	<u>1.7373%</u>

St. George pays UAMPS for the account of Parowan for their share beginning with the billings for the month of October 1987. A Copy of the full agreement is on file in the Parowan City office.

NOTE 8: RISK MANAGEMENT

Parowan City is subject to various types of risk such as tort actions, theft, damage or destruction of assets by intent or acts of God, and job related illness or injury.

The City has procured commercial insurance coverage, which in the City's estimation, is adequate to reduce the risk of loss to a manageable level.

NOTE 9: COMPONENTS OF RESERVED FUND BALANCE

Capital Project Funds:

Cemetery Perpetual Care	264,855
Fire Department	561
Recreation Complex	15,006
Heritage Park	4,123
Community Theater - Cap. Project	1,721
Community Theater Fund	5,899
Airport	<u>29,055</u>
Total Capital Project Funds	<u>\$ 321,220</u>

PAROWAN CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 9: COMPONENTS OF RESERVED FUND BALANCE - CONTINUED

Enterprise Funds:

Bond Sinking And Reserve Funds:

Water Revenue bonds	\$ 138,469
Pressurized Irrigation Bonds	<u>144,431</u>
Total Revenue Bond Sinking and Reserve Funds	<u>282,900</u>

Impact Fees:

Water Impact Fees	148,048
Electric Fund - Impact Fees	<u>33,616</u>
Total Impact Fees	<u>181,664</u>
Total Enterprise Funds:	<u><u>\$ 464,564</u></u>

NOTE 10: SUBSEQUENT EVENTS

Subsequent to June 30, 2005 the City issued Sewer Revenue Bonds- Series 2005 in the amount of \$3,772,000. Principal payments begin December, 2007. The bonds bear interest of 2.75%.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

PAROWAN CITY, UTAH
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ (45,052)	\$ (45,052)	\$ (45,052)	\$ -
Resources (inflows):				
Property taxes	199,819	185,298	196,528	11,230
Sales and use taxes	225,000	233,965	256,893	22,928
Franchise taxes	74,665	71,332	88,483	17,151
Licenses and permits	19,000	19,000	21,586	2,586
Intergovernmental revenues	234,384	161,400	139,052	(22,348)
Charges for services	237,075	169,175	175,037	5,862
Fines and forfeitures	106,000	143,200	143,609	409
Interest earnings	2,900	2,900	7,146	4,246
Miscellaneous revenues	-	140,884	118,927	(21,957)
Operating transfers in	58,575	265,568	271,383	5,815
Amounts available for appropriation	<u>1,112,366</u>	<u>1,347,670</u>	<u>1,373,592</u>	<u>25,921</u>
Charges to appropriations (outflows):				
General government	288,840	286,264	319,598	(33,334)
Public Safety	396,904	401,205	363,481	37,724
Highways & streets	216,534	212,934	180,439	32,495
Sanitation	147,100	147,100	146,891	209
Culture & recreation	355,982	286,264	260,360	25,904
Operating transfers out	28,050	23,160	23,160	-
Total charges to appropriations	<u>1,433,410</u>	<u>1,356,927</u>	<u>1,293,929</u>	<u>62,998</u>
Budgetary fund balance, June 30	<u>\$ (321,044)</u>	<u>\$ (9,257)</u>	<u>\$ 79,663</u>	<u>\$ 88,919</u>

The notes to the financial statements are an integral part of this statement.

**COMBINING FINANCIAL
STATEMENTS AND SCHEDULES**

PAROWAN CITY, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2005

	Fire Department	Heritage Park	Capital Project Fund Airport Development	Community Theater	Recreation Complex
Assets:					
Cash & cash equivalents	\$ 561	\$ 13,701	\$ 29,055	\$ 1,721	\$ 15,006
Total assets	<u>\$ 561</u>	<u>\$ 13,701</u>	<u>\$ 29,055</u>	<u>\$ 1,721</u>	<u>\$ 15,006</u>
Liabilities:					
Cash with Negative Balances	\$ -	\$ 9,578	\$ -	\$ -	\$ -
Total liabilities		<u>9,578</u>			
Fund balances:					
Reserved	561	4,123	29,055	1,721	15,006
Unreserved, undesignated					
Total fund balances	<u>561</u>	<u>4,123</u>	<u>29,055</u>	<u>1,721</u>	<u>15,006</u>
Total liabilities and fund balances	<u>\$ 561</u>	<u>\$ 13,701</u>	<u>\$ 29,055</u>	<u>\$ 1,721</u>	<u>\$ 15,006</u>

PAROWAN CITY, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2005

	Community Theater	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
Assets:			
Cash & cash equivalents	\$ 5,899	\$ 264,855	\$ 330,798
Total assets	<u>\$ 5,899</u>	<u>\$ 264,855</u>	<u>\$ 330,798</u>
Liabilities:			
Cash with Negative Balances	\$ -	\$ -	\$ 9,578
Total liabilities			<u>9,578</u>
Fund balances:			
Reserved	5,899	264,855	321,220
Unreserved, undesignated			-
Total fund balances	<u>5,899</u>	<u>264,855</u>	<u>321,220</u>
Total liabilities and fund balances	<u>\$ 5,899</u>	<u>\$ 264,855</u>	<u>\$ 330,798</u>

PAROWAN CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2005

	Fire Department	Heritage Park	Capital Project Fund Airport Development	Community Theater	Recreation Complex
REVENUES:					
Interest earnings	\$ 35	\$ 259	\$ 310	\$ -	\$ 125
Intergovernmental revenues			155,419		
Miscellaneous revenues					35,824
Total Revenues	35	259	155,729		35,949
EXPENDITURES:					
General government					
Highways & streets					
Sanitation					
Culture & recreation					
Capital outlay			47,020		44,993
Total Expenditures			47,020		44,993
Excess of Revenues over (under) Expenditures	35	259	108,709		(9,044)
OTHER FINANCING SOURCES (USES):					
Debt proceeds					
Operating transfers in			-		23,160
Operating transfers out					
Sale of fixed assets					
Total Other Financing Sources (Uses)					23,160
Excess of revenues and other sources over (under) expenditures and other uses	35	259	108,709		14,116
FUND BALANCES JULY 1	526	3,864	(79,654)	1,721	889
FUND BALANCES JUNE 30	\$ 561	\$ 4,123	\$ 29,055	\$ 1,721	\$ 15,006

PAROWAN CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2005

	Community Theater	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
REVENUES:			
Interest earnings	\$ 143	\$ 5,896	\$ 6,770
Intergovernmental revenues			155,419
Miscellaneous revenues		16,116	51,940
Total Revenues	143	22,012	214,128
EXPENDITURES:			
General government		3	3
Highways & streets			
Sanitation			
Culture & recreation			
Capital outlay			92,013
Total Expenditures		3	92,016
Excess of Revenues over (under) Expenditures	143	22,009	122,112
OTHER FINANCING SOURCES (USES):			
Debt proceeds			
Operating transfers in			23,160
Operating transfers out		(9,383)	(9,383)
Sale of fixed assets			
Total Other Financing Sources (Uses)		(9,383)	13,776
Excess of revenues and other sources over (under) expenditures and other uses	143	12,626	135,889
FUND BALANCES JULY 1	5,756	252,229	185,331
FUND BALANCES JUNE 30	<u>\$ 5,899</u>	<u>\$ 264,855</u>	<u>\$ 321,220</u>

COMPLIANCE SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable City Council
Parowan City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Parowan City, Utah as of and for the year ended June 30, 2005, which collectively comprise Parowan City, Utah's basic financial statements and have issued our report thereon dated November 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Parowan City, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Parowan City, Utah in a separate letter dated December 7, 2005.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether Parowan City, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

Parowan City, Utah

Page 2

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of Parowan City, Utah in a separate letter dated December 7, 2005.

This report is intended solely for the information and use of the management of Parowan City, Utah, and applicable federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.


WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
November 30, 2005

Wilson & Company

Certified Public Accountants / A Professional Corporation

PAROWAN CITY, UTAH AUDITOR'S REPORT ON COMPLIANCE WITH STATE FISCAL LAWS For the Year Ended June 30, 2005

The Honorable City Council
Parowan City, Utah

We have audited the general purpose financial statements of Parowan City, Utah, for the year ended June 30, 2005 and have issued our report thereon dated November 30, 2005. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
UDOT Division of Aeronautics

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation
Liquor Law Enforcement
Other Compliance Requirements

B&C Road Funds
Impact Fees

The management of Parowan City, Utah, is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis evidence about the City's compliance with the requirements. We believe that our audit provides a reasonable basis for our opinion.

Parowan City, Utah
Page 2

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Parowan City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of service allowed and unallowed; eligibility; matching, level of effort, or earmarking; reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.


WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
November 30, 2005

Wilson & Company

Certified Public Accountants / A Professional Corporation

December 7, 2005

Honorable Mayor and City Council
Parowan City, Utah

We have examined the financial statements of Parowan City for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Parowan City is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related cost of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was made for the limited purpose described in the first paragraph and would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Parowan City taken as a whole. However, our study and evaluation disclosed the following conditions that we believe require the City's further attention.

Impact Fees

We noted during our exam that the City continues to accumulate significant impact fees since their enactment.

We suggest that the City closely monitor these fees to insure that they are spent for appropriate projects within the six year limit allowed by the law. A year end summary, prepared by the City staff is available for such a purpose.

Water Fund

Our exam revealed that the Water Fund had net operating income of \$14,617. Interest expense, however, totaled \$22,744.

We suggest that the City must consider a review of water rates in order to insure that bond covenants will be met in the future and that funds will be available to cover debt service expenses and to maintain the water system.

Fixed Asset Management System

We noted during our exam that the City's fixed asset management system needed substantial effort to meet the requirements of GASB#34.

We recommend that the City operate the fixed asset management system so that the requirements of GASB#34 are met.

Cash Management

During our exam we noted that \$1,107 of outstanding checks in the combined checking account were over six months old.

We suggest that these old outstanding checks be cleared from the checking account and that the Council approve the voiding of any outstanding check.

Sewer Bond Covenants

A review of the new Sewer Revenue Bonds-Series 2005 revealed that the City will be subject to several new covenants as part of the bond issue.

We suggest that the City immediately open the Sinking Fund, Reserve, and Emergency Repair and Replacement accounts as mandated by the bond covenants and that the funding of these accounts start immediately.

The Council should also be aware that the new bonds contain a rate covenant of 1.25 %. The Council must maintain adequate rates to yield sufficient net revenues to be in compliance with the rate covenant.

Sewer Fund Net Operating Loss

Our exam revealed that the Sewer Fund had a net loss from operations of \$40,870.

The Council must take immediate action to eliminate operating losses. If losses continue, the City will be in violation of bond covenants mandated by the new bond issue and the Fund will not have sufficient net income to provide for future debt service and asset replacement.

Budget Compliance

We noted during the State Compliance portion of our exam that expenditures in the general government category of the General Fund exceeded the adopted budget.


The City must monitor expenditures closely in order to ensure that expenditures stay within the adopted budget.

The above conditions were considered in determining the nature, timing, and extent of the audit tests applied in our examination of the City's June 30, 2005, financial statements.

Our comments are intended to be constructive in nature. The absence of positive or complimentary comments does not imply that the City operates in an inefficient or ineffective manner. We welcome the opportunity to discuss these conditions in further detail and express our appreciation to the staff for their assistance during the examination.

This report is intended solely for the use of management and the Utah State Auditor and should not be used for any other purpose.

Sincerely,


WILSON & COMPANY
Certified Public Accountants
Cedar City, Utah

PAROWAN CITY CORPORATION

5 SOUTH MAIN * P.O. BOX 576

PAROWAN, UTAH 84761

PHONE (435) 477-3331 * FAX (435) 477-8092

*Ronald K. Smith, Mayor
*Valorie Topham, City Recorder, MMC
*Nancy Edwards, City Treasurer, CPFA
*Kenneth H. Adams, Justice Court Judge
*Preston Griffiths, Chief of Police
*Justin Wayment, City Attorney

*Lloyd A. Benson, Councilman
*Mary Halterman, Councilwoman
*Kevin L. Porter, Councilman
*John C. Robertson, Councilman
*J. Alan Stones, Councilman

December 23, 2005

State Auditors Office
211 State Capitol Building
Salt Lake City, Utah 84114

To Whom It May Concern:

This letter is in response to the management letter prepared by our auditors, Wilson & Company, dated December 7, 2005. The following statements are in response to this letter.

IMPACT FEES The City will continue to prepare an annual impact fee report for each type of impact fee showing beginning balance, total fees collected and fees expended during the year. The City will also closely monitor these fees to insure that they are spent for appropriate projects within the six year limit allowed by the law. A year end summary is available for this purpose.

WATER FUND The City will review the water rates again to insure that the bond covenants will be met in the future, and that funds will be available to cover debt service expenses and to maintain the water system.

FIXED ASSET MANAGEMENT SYSTEM The City will operate the fixed asset management system so that the requirements of GASB #34 are met.

CASH MANAGEMENT We will have the City Council approve voiding any outstanding checks and then clear the old outstanding checks from the checking account.

SEWER BOND COVENANTS The City has recently opened the Sinking Fund, Reserve, and Emergency Repair and Replacement accounts as mandated by the bond covenants and the funding of these accounts have started. The City Council has been made aware that the new bonds contain a rate covenant of 1.25%. The City Council will maintain adequate rates to yield sufficient net revenues to be in compliance with the rate covenant.

State Auditors Office

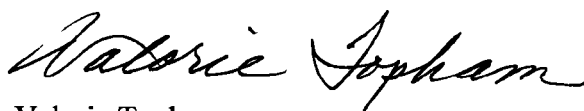
Page 2

December 23, 2005

SEWER FUND NET OPERATING LOSS The City Council will take immediate action to eliminate operating losses. We understand that if losses continue, the City will be in violation of bond covenants mandated by the new bond issue and the Fund will not have sufficient net income to provide for future debt service and asset replacement.

BUDGET COMPLIANCE The City will diligently monitor General Fund expenditures closely in order to ensure that expenditures stay within the adopted budget.

Sincerely,

A handwritten signature in cursive script that reads "Valorie Topham".

Valorie Topham
City Recorder